

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-08 AID-05 TRSE-00 COME-00
OMB-01 DOE-15 SOE-02 CIAE-00 INR-10 NSAE-00 L-03
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R 111734Z AUG 78
FM AMCONSUL RIO DE JANEIRO
TO SECSTATE WASHDC 6567
INFO AMEMBASSY ASUNCION
AMEMBASSY BRASILIA
AMCONSUL SAO PAULO

C O N F I D E N T I A L RIO DE JANEIRO 3592

DEPARTMENT PASS EXIMBANK

E.O. 11652: GDS
TAGS: ENRG, BR
SUBJECT: MAJOR PROJECT: ITAIPU HIGH VOLTAGE DIRECT CURRENT
TRANSMISSION SYSTEM

REF: RIO 0836

1. CONGEN ECON/COML OFFICER CALLED ON ACTING HEAD OF
LOCAL GENERAL ELECTRIC (G.E.) OFFICE, ARTHUR EDUARDO BARROS,
TO DISCUSS STATUS OF ITAIPU HVDC TRANSMISSION SYSTEM.
BARROS SAID THAT SINCE JUNE, 1978, FURNAS CENTRAIS
ELECTRICAS (FURNAS) AZAD HAS PRIVATE MEETINGS WITH EACH OF
THE ITAIPU BIDDERS IN THE TECHNICAL AND FINANCIAL ASPECTS
OF THE TRANSMISSION SYSTEM, AND THAT DISCUSSIONS WOULD
CONTINUE THROUGH NOVEMBER, 1978. IN NOVEMBER, FURNAS IS
DUE TO D SUE SPECIFICATIONS AND CALL FOR BIDS BY
JANUARY, 1979. CONTRACTS ARE EXPECTED TO BE AWARDED IN
MARCH, 1979. BARROS EMPHASIZED THAT FROM NOW UNTIL
JANUARY, 1979, THE CRITICAL ISSUES WOULD BE DECIDED ON
THE BASIS OF THE FINANCING AND TECHNICAL ASPECTS, AND
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THE NATIONALIZATION INDEX OF EACH BID. HE STRESSED
THE FINANCING ASPECT OF G.E.'S PACKAGE, ADDING THAT
EXIMBANK'S ROLE WOULD BE ESSENTIAL.

2. ON G.E.'S CHANCES AGAINST THE OTHER BIDDERS
(G.E. OF ENGLAND, ASEA OF SWEDEN, AND THE WEST GERMAN
CONSORTIUM OF SIEMENS, BROWN BOVERI AND AEG), BARROS

WAS MOST CONCERNED ABOUT COMPETITION FROM ASEA AND THE WEST GERMAN CONSORTIUM. G.E. IS EXTREMELY WORRIED THAT THE WEST GERMANS AND SWEDES MIGHT ENTER INTO DIRECT NEGOTIATIONS WITH THE GOVERNMENT OF BRAZIL (GOB) AND THEREBY KEEP G.E. OUT OF THE MARKET. BARROS RECALLED ASEA'S INITIATIVE EFFORTS TO PRESENT AN UNSOLICITED PROPOSAL TO FURNAS IN FEBRUARY, 1978 (REFTEL). BARROS ALSO FELT THAT SHOULD THE BIDDING BE KEPT AT THE FURNAS LEVEL WHERE A FINAL DECISION WOULD BE BASED ON THE MERITS OF EACH BID, G.E. WOULD STAND AN EXCELLENT CHANCE OF WINNING. HE SAID, HOWEVER, THAT SHOULD THE DECISION BE MADE AT THE MINISTERIAL LEVEL, THE CHANCES WOULD BE VERY HIGH OF A DECISION BEING BASED ON CONSIDERATIONS OTHER THAN THE MERITS OF EACH BID.

3. ON THE PURELY TECHNICAL ISSUE, BARROS EXPLAINED THAT G.E.'S STRONGEST POINT WAS IN THE PRODUCTION OF THE TERMINAL CONVERTERS WHEREAS THE WEST GERMANS AND ASEA HAD AN EDGE ON THE PRODUCTION OF THE TERMINAL POWER TRANSFORMERS DUE TO GREATER EXPERIENCE. BARROS SAID THAT TO IMPROVE THE NATIONALIZATION INDEX OF ITS BID, G.E. WILL OFFER AS PART OF ITS PACKAGE PLANS FOR A FACTORY FOR CONVERTER PRODUCTION IN BRAZIL. ADDITIONALLY, BARROS SAID THE CURRENT TIMETABLE OF 44 MONTHS FOR DELIVERY AND MOUNTING FAVORED G.E., AS THEY FEEL THEY ARE THE ONLY BIDDER THAT CAN MEET SUCH A DEMANDING
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SCHEDULE. BARROS ALSO SAID THAT G.E. COULD HANDLE THE ENTIRE BID, WHEREAS THE WEST GERMANS AND ASEA WERE NOT CONSIDERED, EVEN BY LOCAL OBSERVERS, TO HAVE THAT LEVEL OF CAPACITY.

4. BARROS WAS EMPHATIC ABOUT WHAT HE CONSIDERED TO BE G.E.'S OVERALL SUPERIORITY IN BOTH TECHNICAL AND PRODUCTION CAPACITY. HE REITERATED HIS CONCERN, HOWEVER, ABOUT THE POSSIBILITY OF DIRECT WEST GERMAN OR ASEA/ WEST GERMAN NEGOTIATIONS WITH THE GOB, AND THAT FURTHER EUROPEAN SUCCESS IN SUPPLYING ITAIPU COULD ALSO HAVE THE LONGER-TERM EFFECT OF SHUTTING THE UNITED STATES OUT OF THE FUTURE HYDROELECTRIC MARKET IN BRAZIL (I.E. AMAZON BASIN).
DEXTER

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